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World Demand for Oil May Soon Equal Production Capacity:

Schlesinger

By JIM LUTHER

Associated Press Writer

WASHINGTON (AP) - In as little as two years, the world could be using oil as fast as it can be pumped out of the ground, says former Energy Secretary James R. Schlesinger.

The Organization of Petroleum Exporting Countries has been producing at more than 90 percent of capacity, while Soviet production has dropped, Schlesinger told the Senate Energy Committee on Monday. And he said that Iran and Iraq, despite ending their war, are marketing considerably less oil than had been anticipated.

"With the call on OPEC growing at over a million barrels per day each year, we are only a couple of years away from the point that demand would theoretically reach the level of present capacity," Schlesinger said.

John J. Easton Jr., an assistant energy secretary, gave the committee a more optimistic report, although he and Schlesinger agreed that U.S. oil production will continue to decline if present consumption and exploration trends continue.

In the long run, Easton said, "Through concerted efforts to find and produce more of our domestic resources, we may be able to slow the rate of decline in U.S. production, but it is unlikely under current conditions that we will be able to reverse the trend."

Schlesinger, who also has served as director of the CIA and as secretary of defense, said U.S. national security and economic interests are threatened by the growing demand for foreign oil.

There is a strong possibility of a 30 percent or 40 percent increase in prices," he said. "That we will have a price surge in the decade seems to me to be beyond question."

U.S. demand for oil will grow by about 2 percent a year until there are steep price increases, Schlesinger said. In a recent month, he added, the United States had to rely on foreign sources to meet a record 54 percent of its oil demand.

Schlesinger said that by 1995, U.S. imports should reach as much as 11 million barrels a day, compared with a net average of just over 7 million barrels a day in 1989.

The oil import bill then will likely exceed our present trade deficit," he said. That would be in range of over \$100 billion a year.

That statement, if correct, is of profoundest concern to the U.S. economy," said Sen. Bennett Johnston, D-La., chairman of the Energy Committee.

While domestic demand for oil has been growing, Schlesinger said, U.S. production continues to fall. Drilling activity is low

by historical standards and the giant Prudhoe Bay field in Alaska is in declining production, he said.

"We may as well acknowledge that over the past decade the United States as a practical matter abandoned the quest for energy

independence - indeed, even the quest for low energy dependency," Schlesinger said. "If we are to limit our future vulnerability, either for national security or international financial reasons, we shall have to reverse course - and take vigorous action."

Schlesinger's formula for reducing imports includes increased conservation, more tax incentives for domestic producers and expanded drilling.

Relying on renewable energy sources - such as solar energy - will not solve the problem because those sources do little for transportation, which is responsible for the growth in demand for oil, he said.

Despite relaxed East-West tensions and the end of the Iran-Iraq war, Schlesinger said, the Strategic Petroleum Reserve should be increased from the present 750-million-barrel supply to 1 billion.

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